**Container Corporation of America Annual Report -- 1928**
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# Container Corporation
## OF AMERICA
CHICAGO, ILLINOIS

# ANNUAL REPORT
## FISCAL YEAR ENDING
## DECEMBER 31, 1928

# CONTAINER CORPORATION
## OF AMERICA
CHICAGO, ILLINOIS

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# *Annual Report*
FISCAL YEAR ENDING
DECEMBER 31, 1928

*February 19, 1929*

# Container Corporation
## OF AMERICA
CHICAGO, ILLINOIS

February 19, 1929

To the Stockholders of
Container Corporation of America:

We are submitting herewith consolidated balance sheet and profit and loss account of Container Corporation of America, Mid-West Box Company, Chicago Mill Paper Stock Company and Pioneer Paper Stock Company for the twelve months ending December 31, 1928.

From the balance sheet you will note that the ratio of current assets to current liabilities is 4.4 to 1. The major change in the asset account occurs in the increase of the item of Buildings, Machinery and Equipment. As of May 31, 1928 the three-unit paper mill, formerly owned by the Robert Gair Company and known as the Chicago Coated Board Division, was acquired, and as of November 1, 1928 a corrugated box factory at Natick, Massachusetts, formerly owned by the Corrugated Paper Mills, was added. Also during the year of 1928 a long-term lease was made for the building and real estate of the former Pioneer Paper Stock Company, and the name, good will, business and current assets were acquired; this business is now being carried on under the name of Pioneer Paper Stock Company, which is continuing to conduct a business of purchasing paper stock, cleaning and sorting it and selling it to its regular old-time customers, including the Ogden Plant and Chicago Coated Board Division of Container Corporation. As a result of these three acquisitions increased accounts receivable and inventories are evident under Current Assets.

On the liability side of the balance sheet the major change is the appearance of the item of $5,700,000 of Fifteen-Year 5% Gold Debentures, through which the acquisition of the Chicago Coated Board Plant was financed, the $775,000 of Twenty-Year Gold Debentures of Container Corporation of America, and Fifteen-Year 6½% First Mortgage Gold Bonds of Mid-West Box Company in the amount of $400,000 were retired, as well as some additional working capital furnished.

Additional shares of A Common Stock were issued in connection with the exercise of some stock purchase warrants attached to the original 6% Gold Debentures, and further shares of A and B Common Stock were issued for the purchase of the Natick Plant and to provide funds wherewith to complete the redemption of the outstanding 8% and 6% Preferred Stock of the Mid-West Box Company, amounting to $1,092,400.

The profit and loss account shows the actual net operating profits for the year after administrative, selling, depreciation and interest charges to be $1,134,562.64. An additional deduction of $111,672.10 was made herefrom to take care of some major, yet non-operating, items such as loss on sale and disposition of plants and machinery; it was deemed advisable to sell the real estate and building formerly occupied by the Corrugated Box Division at Cincinnati, to take an unavoidable loss in so doing, and to build a new corrugated box factory immediately adjoining the two-machine paper mill at Cincinnati, and in that way make savings in management and supervision and avoid the shipping of paper mill product across town to the corrugated box factory. A deduction of $106,961.51 for Federal income tax reserve leaves $915,929.03 to be transferred to surplus.

From the analysis of the surplus account you will note that $208,923.50 was paid out in the form of Preferred, and $642,601.80 for A and B Common Stock dividends. A further deduction from surplus of $304,851.13 is accounted for by the writing off of the unamortized balance of bond discount and expense at the time of the retirement of the above mentioned debentures and Mid-West Box Company bonds, and also of the premium paid in the purchase and redemption of all of Mid-West Box Company and $200,000 of Container Corporation Preferred Stock, leaving the net surplus figure as of December 31, 1928, of $818,356.02.

The company now has in its treasury sufficient First Mortgage Bonds to take care of its maturities at the minimum rate for the years 1929 and 1930, and at the maximum rate for the year 1929, as also sufficient Debentures to satisfy the full maturity of $300,000, due June 1, 1929, of that issue. The Preferred Stock sinking fund provision of $200,000, to be taken care of as of April 1, 1929, was anticipated during the month of December, so that the company will have to make no provisions whatsoever for funded debt or sinking fund of any nature during the year 1929.

The earnings for the year were excellent during the first quarter, fair during the second and third quarters, and unsatisfactory during the fourth quarter; during this latter period, nevertheless, some earnings were made. A keenly competitive situation developed in the middle of the year, which increased in acuteness as the second half of the year wore on. At the time of this writing, while the company is showing some small profits, the situation has not as yet improved. The sales volume continues to be excellent, as is necessarily true in an industry supplying an indispensable requirement in the form of containers which bring the products in daily use by the entire population of the country from point of manufacture to the market. For the time being, however, additional producing capacity, built up even out of proportion to the expanding demand for its products, has caused the industry to suffer merited penalty brought on by ignoring the laws of supply and demand. In many cases prices have been made calculated to bring in a certain volume of business rather than to return a fair and reasonable profit to the manufacturer. As a result some competitors have gone out of business and some have sold out. This weeding out process will undoubtedly result in a sounder and saner condition, but the cycle has not as yet been completed.

Over a period of time a company with well equipped and well located properties in an essential industry will make reasonable profits. The outlook for future years is favorable, for the immediate present good from point of view of volume but unsatisfactory as to margin of profit.

Respectfully submitted on behalf of the Officers and the Board of Directors.

WALTER P. PAEPCKE,

*President.*

# CONTAINER CORPO
# AND SUBSIDIA
## Consolidated Balance Sh

### ASSETS

| | | |
|---|---|---|
| **Current Assets:** | | |
| Cash | $ 356,534.97 | |
| Call Loans | 300,000.00 | |
| Accounts and Notes Receivable less Reserves | 1,028,026.16 | |
| Inventories certified by the management as to quantities and condition, priced at cost or market whichever lower | 2,009,889.57 | |
| Total Current Assets | | $ 3,694,450.70 |
| OTHER NOTES AND ACCOUNTS | | 165,010.45 |
| SPECIAL DEPOSIT WITH TRUSTEE FOR FIRST MORTGAGE BONDS | | 102,500.00 |
| **Plant and Equipment:** | | |
| Land | $ 2,781,307.46 | |
| Buildings | 7,046,268.09 | |
| Machinery | 10,965,193.49 | |
| Furniture and Fixtures | 65,578.43 | |
| *Together | $20,858,347.47 | |
| *Less*—Reserve for Depreciation | 2,103,216.95 | |
| | $18,755,130.52 | |
| Construction in Process | 56,167.27 | 18,811,297.79 |
| DEFERRED CHARGES TO FUTURE OPERATIONS | | 851,057.67 |
| ORGANIZATION EXPENSE | | 49,735.04 |
| | | $23,674,051.65 |

*Includes Container Corporation of America properties $18,055,625.79 at cost at date of acquisition July 1, 1926 based on sound values as appraised by Day & Zimmerman, Inc., plus additions since at cost; Mid-West Box Co. properties ($2,783,907.14) at book values, and other property ($18,814.54). (*Note:* Merchandise in transit ($255,564.71) has not been included in the inventories nor in the liabilities.)

# RATION OF AMERICA
# ARY COMPANIES

Sheet—December 31, 1928

## LIABILITIES AND NET WORTH

| | | | |
|---|---|---|---|
| **Current Liabilities:** | | | |
| Accounts Payable | | $ 560,202.95 | |
| Interest, Wages, Taxes, etc., Accrued | | 165,580.55 | |
| Reserve for Federal Income Taxes subject to final review and determination by the Treasury Department | | 116,375.00 | |
| Total Current Liabilities | | | $ 842,158.50 |
| RESERVE FOR CONTINGENCIES | | | 116,554.47 |
| FUNDED OBLIGATIONS (Less Amounts Purchased in anticipation of Sinking Fund requirements): | | | |
| First Mortgage Sinking Fund 6% Bonds, due June 15, 1946 | | $ 4,297,000.00 | |
| Fifteen Year 5% Debentures, due June 1, 1943 | | 5,700,000.00 | 9,997,000.00 |
| **Net Worth:** | | | |
| PREFERRED STOCK: | | | |
| Authorized 150,000 shares; issued 25,000; retired 3,000; in treasury 2,000 7% Cumulative — Outstanding 20,000 shares | | $ 2,000,000.00 | |
| COMMON STOCK: | | | |
| **Class A—Authorized 600,000 shares par value $20.00 each; issued 278,514; in treasury 4,739 | | 5,475,500.00 | |
| Class B — Authorized 1,200,000 shares of no par value; issued 588,289 shares | $5,585,307.69 | | |
| *Less* Goodwill and Patents | 1,160,825.03 | 4,424,482.66 | |
| Together | | $11,899,982.66 | |
| Surplus | | 818,356.02 | 12,718,338.68 |
| | | | $23,674,051.65 |

**Certain stock purchase warrants covering options on Class A Stock at prices of $20.00 and $42.50 per share are outstanding.

# Container Corporation
## of America
### and Subsidiary Companies

## Summary of Consolidated Profit and Loss Accounts for the Year Ended December 31, 1928

| | | |
|---|---|---|
| Net Profit From Sales | | |
| after deducting cost of sales including Raw Materials, Labor and Overhead exclusive of Depreciation, and Selling and Administrative Expenses | | $2,209,340.84 |
| Deduct—Provision for Depreciation | | 678,245.69 |
| | | $1,531,095.15 |
| Add—Miscellaneous Income (Net) | | 111,554.06 |
| | | $1,642,649.21 |
| Deduct—Interest Charges: | | |
| Bond Interest and Discount | $498,441.03 | |
| Other Interest Charges | 9,645.54 | 508,086.57 |
| Net Profits before Deducting Losses on disposition of Capital Assets and Federal Income Taxes | | $1,134,562.64 |
| Deduct—Losses on Disposition of Capital Assets | | 111,672.10 |
| | | $1,022,890.54 |
| Deduct—Provision for Federal Income Taxes | | 106,961.51 |
| Surplus Net Profits | | $ 915,929.03 |

# CONTAINER CORPORATION
## OF AMERICA
### AND SUBSIDIARY COMPANIES

## Summary of Consolidated Surplus Accounts for the Year Ended December 31, 1928

| | | | |
|---|---|---|---|
| BALANCE JANUARY 1, 1928 | | | $1,058,803.42 |
| SURPLUS NET PROFITS FOR THE YEAR 1928 | | | 915,929.03 |
| | | | $1,974,732.45 |
| DEDUCT—SURPLUS CHARGES: | | | |
| Unamortized Discount and Expense on Funded Debt Retired | | $128,398.07 | |
| Premium on Treasury Stock Acquired | | 56,868.00 | |
| Premium on Preferred Stock Retired | | 109,585.06 | |
| Premium on Bonds Retired | | 10,000.00 | 304,851.13 |
| | | | $1,669,881.32 |
| DEDUCT—DIVIDENDS PAID OR ACCRUED: | | | |
| Container Corporation of America— | | | |
| 7% Preferred Stock | $154,000.00 | | |
| Class A Common Stock | 318,683.40 | | |
| Class B Common Stock | 323,918.40 | $796,601.80 | |
| MID-WEST BOX CO.— | | | |
| Series A—8% Preferred | $ 44,788.00 | | |
| Series C—6% Preferred | 10,135.50 | 54,923.50 | 851,525.30 |
| BALANCE AT DECEMBER 31, 1928 | | | $ 818,356.02 |

# ARTHUR ANDERSEN & CO.

**CERTIFIED PUBLIC ACCOUNTANTS**
HARRIS TRUST BLDG.
111 WEST MONROE ST.
CHICAGO

## *Auditors' Certificate*

We have examined the accounts of THE CONTAINER CORPORATION OF AMERICA and of its subsidiaries, the Chicago Mill Paper Stock Company and the Pioneer Paper Stock Company, for the year ended December 31, 1928 and have prepared and submit herewith a consolidated balance sheet, statement of consolidated profit and loss accounts and summary of consolidated surplus accounts, including therein the accounts of the Mid-West Box Co. (consisting of assets—$2,959,476.43, including inter-company accounts—$1,185,068.44; liabilities—$1,483,015.31; net worth—$1,476,461.12; and surplus net profits—$376,491.39) as certified by Messrs. Ernst & Ernst.

Subject to the foregoing, we certify that, in our opinion, the accompanying statements fairly present the financial condition of the combined companies at December 31, 1928 and the results of operations for the year ended that date.

ARTHUR ANDERSEN & CO.

Chicago, Illinois,
February 15, 1929.

# CONTAINER CORPORATION
## OF AMERICA
CHICAGO, ILLINOIS

## *Directors*

F. G. BECKER, *Chicago, Ill.*

J. P. BRUNT, *Chicago, Ill.*

E. R. HANKINS, *Chicago, Ill.*

JOHN JACOBS, *Philadelphia, Pa.*

LEON L. LOEHR, *Chicago, Ill.*

R. L. MCCLELLAND, *Chicago, Ill.*

WALTER P. PAEPCKE, *Chicago, Ill.*

## *Officers*

*President*
WALTER P. PAEPCKE

*Executive Vice-President*
J. P. BRUNT

*Vice-Presidents*
F. G. BECKER
E. R. HANKINS

*Treasurer*
J. E. COOKSON

*Secretary*
H. D. DAVIS

# CONTAINER CORPORATION
## OF AMERICA
### CHICAGO, ILLINOIS

*Transfer Agent*
FIRST TRUST AND SAVINGS BANK
Chicago, Ill.

THE NATIONAL CITY BANK OF NEW YORK
New York, N. Y.

*Registrar*
ILLINOIS MERCHANTS TRUST COMPANY
Chicago, Ill.

THE NATIONAL PARK BANK OF NEW YORK
New York, N. Y.

### *Plant Operations*

*Mills*

CHICAGO, ILL. (TWO)
KOKOMO, IND.
CINCINNATI, OHIO
CIRCLEVILLE, OHIO
PHILADELPHIA, PA.

*Factories*

CHICAGO, ILL.
ANDERSON, IND.
CLEVELAND, OHIO
CINCINNATI, OHIO
FAIRMONT, W. VA.
CHARLESTON, W. VA.
PHILADELPHIA, PA.
BRIDGEPORT, CONN.
NATICK, MASS.

### *Branch and Sales Offices*

CHICAGO, ILL.
LOS ANGELES, CALIF.
DENVER, COLO.
ST. LOUIS, MO.
INDIANAPOLIS, IND.
DETROIT, MICH.
CLEVELAND, OHIO
DAYTON, OHIO
CINCINNATI, OHIO
PITTSBURGH, PA.
PHILADELPHIA, PA.
NEW YORK, N. Y.
BRIDGEPORT, CONN.
NATICK, MASS.
JACKSONVILLE, FLA.
WINTER HAVEN, FLA.

### *Subsidiary Companies*

MID-WEST BOX COMPANY
CHICAGO MILL PAPER STOCK COMPANY
PIONEER PAPER STOCK COMPANY